

Docket:	:	<u>A.09-12-020</u>
Exhibit Number	:	<u>DRA-15</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Fukutome</u>
Witness	:	<u>Tolbert</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
General Rate Case
Test Year 2011**

Replacement Pages

**Shared Services and Other Support Costs -
Information Technology Expenses**

San Francisco, California
July 7, 2010

Revisions to Exhibit DRA-15:

1. p. 2, line 14, strike \$18.34 and replace with \$18.69
2. p. 3, line 3, strike \$10.71 and replace with \$10.9
3. p. 3, line 4, strike \$229.8 and replace with \$230.1
4. p. 3, Table 15 – 1 has been revised
5. p. 13, Table 15 – 4 has been revised
6. p. 33, Table 15 – 9 has been revised
- 7.

- 1 • For PG&E's IT Lifecycle costs, the Commission should adopt DRA's
2 forecast of \$3.95 million for the test year. PG&E's forecast of \$12.4 million
3 is a 292.5% increase over 2008 recorded expenses to maintain its current
4 operational and reliability targets and is unreasonable.
- 5 • For IT Optimization costs, the Commission should adopt DRA's forecast of
6 \$2.78 million for the test year. PG&E's forecast of \$8.277 million is a
7 5,000% increase over 2008 recorded expenses for ISTS, and is
8 unreasonable.
- 9 • The Commission should adopt zero ratepayer funding for PG&E's Minor
10 Enhancements projects. This Portfolio has had no expenditures over the
11 past five years including the most recent 2009 recorded year. No
12 justification for this forecast has been provided.
- 13 • For Functional Area Information Technology (FAIT) expenses, the
14 Commission should adopt DRA's forecast of ~~\$18.34~~^{18.62} million. PG&E's
15 forecast of \$69.587 million is a 265.4% increase over the 2008 base year
16 recorded expenses and is unreasonable.
- 17 • PG&E agreed to remove all of Market Redesign and Technology Upgrade
18 (MRTU) costs from this proceeding including energy procurement costs in
19 MWC IM, IN & FB from this General Rate Case (GRC).³ However, DRA
20 found the MRTU UCC was included in the RO model adding to the
21 revenue requirement calculation in the case. DRA also found an
22 additional \$6.4 million of capital Energy Procurement Integration costs and
23 \$4.07 million capital ISO Market Systems Program costs related to
24 MRTU⁴ that should be removed. DRA is therefore recommending that an

³ PG&E's description of the MRTU proceeding can be found in Appendix A to this exhibit item 3(a) through (d). DRA's recommendations relating to the MRTU proceeding is in Section V, Duplicate Filings, of this exhibit.

⁴ Exhibit PG&E-7, Workpapers Supporting Chapter 2, p. 173, Table 2 – 45, line 35

additional \$10.47 million in capital, and that the Market Redesign and Technology Upgrade (MRTU) UCC, be removed from the RO model.

- Table 15 - 1 below represents DRA's forecast of a ~~10.71%~~ ^{10.9%} increase to ~~\$229.8~~ ^{\$239.8} million in the test year for the ISTS which is over the 2008 base year expenses, a difference of \$81.8 million with the Company. This is a reasonable increase over PG&E's 2008 base year expenses for the reasons set forth in this report.

Table 15 - 1 (Revised June 15, 2010)
DRA's and PG&E's TY2011 Forecasts of
Information Technology Expenses
(In Thousands of Dollars)

Description of IT Portfolio	Recorded 2008	DRA Recommended	PG&E Proposed	Amount PG&E>DRA	Percentage PG&E>DRA	DRA's Increase over 2008
(a)	(b)	(c)	(d)	(e=d-c)	(f=e/c)	g=(c-b)/b
Baseline	185,279	204,639	219,086	14,447	7.1%	10.4%
IT Lifecycle	3,147	3,945	12,353	8,408	213.1%	25.4%
IT Optimization	14	2,790	8,277	5,487	196.6%	19832.0%
Minor Enhancements	-	-	2,076	2,076	-	0.0%
Functional Area IT	19,044	18,688	69,587	50,899	272.4%	-1.9%
Adjustment to Tie to M&O	-	-	-	-	-	-
Total	207,484	230,063	311,379	81,316	35.3%	10.9%

- DRA recommends that the total IT capital costs in PG&E's Data Center requested be assessed at one-half or \$11.62 million for the San Francisco site replacement and amortized over 2011 - 2013.

III. DISCUSSION OF PG&E's ISTS PROGRAM

A. Overview of PG&E's IT Testimony

PG&E begins its IT expense and capital expenditure testimony with a discussion of its ISTS organizational structure and program management process.⁵

⁵ Ex. PG&E-7, p. 2-1.

Table 15 – 4 (Revised June 15, 2010)
Division of Ratepayer Advocates
Information Systems technology Services
Comparison of PG&E to DRA Forecast Expenses of 2011
by IT Portfolio and MWC
(\$000)

IT Portfolio	MWC	MWC Description	2008 Recorded	DRA 2011 Forecast with 2009 Allocation	PG&E 2011 Forecast	Difference PG&E vs. DRA	PG&E over DRA
Baseline	AK	Manage Environmental Oper	\$ 68	68	\$ 68	0	0.0%
Baseline	BP	Manage DCP Business	866	963	963	0	0.0%
Baseline	IM	Applications-IT	64,089	70,752	108,749	37,997	53.7%
Baseline	IN	Enterprise Management-IT	39,345	35,710	42,115	6,405	17.9%
Baseline	IO	Infrastructure & Network-IT	80,913	93,646	96,897	3,251	3.5%
Baseline	FB	Mnt of Cmp Netwk & Sys	-	-	-	-	-
Baseline Subtotal			185,279	201,138	248,792	47,654	23.7%
Device Fee Allocation	IO	Infrastructure & Network-IT	3,501	3,501	(29,706)	(33,207)	-948.5%
Baseline Total			185,279	204,639	219,086	14,447	7.1%
IT Lifecycle	IM	Applications-IT	-	-	5,000	5,000	-
IT Lifecycle	IO	Infrastructure & Network-IT	3,147	3,945	7,353	3,408	86.4%
IT Lifecycle Total			3,147	3,945	12,353	8,408	213.1%
IT Optimization	IM	Applications-IT	-	-	8,277	8,277	-
IT Optimization	IN	Enterprise Management-IT	219	219	-	(219)	0.0%
IT Optimization	IO	Infrastructure & Network-IT	14	2,572	(2,572)	-	-
IT Optimization Total			14	2,790	8,277	5,487	196.6%
Minor Enhancements	IM	Applications-IT	-	-	1,576	1,576	-
Minor Enhancements	IO	Infrastructure & Network-IT	-	-	500	500	-
Minor Enhancements Total			-	-	2,076	2,076	-
Functional Area IT	BP	Manage DCP Business	644	-	-	-	#DIV/0!
Functional Area IT	FB	Mnt of Cmp Netwk & Sys	-	2,175	2,175	-	0.0%
Functional Area IT	IM	Applications-IT	13,066	9,689	59,512	49,823	514.2%
Functional Area IT	IN	Enterprise Management-IT	4,450	2,111	7,900	5,769	274.2%
Functional Area IT	IO	Infrastructure & Network-IT	884	4,713	-	(4,713)	-100.0%
Functional Area IT			19,044	18,688	69,587	50,899	272.4%
Other			-	-	-	-	-
Minor Enhancements Total			-	-	-	-	-
Centralization			-	-	-	-	0.0%
Centralization Total			-	-	-	-	0.0%
Adjustment to Tie to M&O			-	-	-	-	-
Grand Total			\$207,484	230,063	\$311,379	\$81,316	35.3%
Percentage Increase over BY 2008			0.00%	10.88%	50.07%		

Table 15 – 9 shows a comparison of PG&E's and DRA's estimate of the FAIT Portfolio expenses.

Table 15 – 9 (Revised June 15, 2010)
Division of Ratepayer Advocates
Information Systems technology Services
Comparison of PG&E to DRA
By IT Functional Area Information Technology (FAIT) Expenses
(\$000)

Line No.	Title	DRA 2011 Recommended a	PG&E 2011 Forecast b	Amount PG&E>DRA c=(b-a)	Percentage PG&E>DRA d=c/a
1	Manage DCCP Business	-	-	-	#DIV/0!
2	Mnt of Cmp Netwk & Sys	2,175	2,175	-	0.0%
3	Applications-IT	9,689	59,512	49,823	514.2%
4	Enterprise Management-IT	2,111	7,900	5,789	274.2%
5	Infrastructure & Network-IT	4,713	-	(4,713)	-100.0%
6	Total	18,688	69,587	50,899	272.4%

V. DUPLICATE FILINGS

A. Projects Being Addressed In Other Proceedings

In order to prevent duplication of funding, DRA asked PG&E in a data request to provide a list of all projects or portions of projects that are being litigated in other proceedings before this Commission, other state commissions, or the Federal Energy Regulatory Commission that are or may be related to the IT projects in this GRC.⁷¹ PG&E's response to that data request is included as Appendix A to this exhibit.

B. Recommendations from Other Proceedings

1. Customer Care & Billing

PG&E has requested \$8.23 million in this GRC for Customer Care and Billing IT expenses. DRA recommends that these costs be removed.

⁷¹ DRA-037, Q./A. 1.